

Abstract

This paper empirically examines the role of FDI in the green transition for CEE countries from the perspectives of greenhouse gas emissions and renewable energy production. For the analysis of the two perspectives, the PMG and MG estimators based on nonlinear EKC and the fixed effect model were applied to the sample of CEE countries from 2001 to 2021. The results demonstrate that FDI has an inverted U-shaped relationship with greenhouse gas emissions, indicating that FDI accelerates the transition to a greener economy by reducing emissions after the turning point. However, the effect is only significant in the long term, and the turning point threshold varies by income group. On the other hand, there was no evidence of a correlation between FDI and the growth of renewable energy production, but energy intensity would substantially reduce the growth of renewable energy production. To maximise FDI's positive impact on their green transition, empirical evidence suggests CEE nations should implement policies to encourage FDI inflow and direct more investment towards renewable production and sustainable development.

Key words: FDI; Green transition; CEE countries; EKC